



# Australian Bureau of Statistics

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## SPOTLIGHT ON UNDEREMPLOYMENT

### INTRODUCTION

In recent years Australia's unemployment rate has been trending downwards while the underemployment rate has been trending upwards. This rise in the underemployment rate has led to a growing sentiment that the level of slack in Australia's labour market is not wholly represented by the unemployment rate, and that it is increasingly important to consider additional measures of labour underutilisation like the underemployment rate.

The ABS has been producing underemployment statistics since the 1980s. This spotlight highlights some of the key trends in underemployment, including its relationship with unemployment, and the groups with the highest rates of underemployment.

In summary, it shows that:

- Over past decades there have been changes in the relationship between the unemployment and underemployment rates. Prior to February 2003, the unemployment rate was higher; since then the underemployment rate has been higher.
- Since February 2015, there has been an increasing divergence between the rates. While the unemployment rate has decreased 0.5 percentage points to 5.7 per cent, the underemployment rate has remained at 8.5 per cent, a series high.
- Females have consistently represented the greater share of underemployed workers; accounting for 56.9 per cent of underemployed persons in November 2016.
- The 15-24 years age group has consistently had the highest underemployment rate.
- The prevalence of underemployment has consistently been greatest in the lower skilled occupation groups, and lowest in the higher skilled groups.

Future spotlights will explore underemployment statistics in more detail, and present trends by industry, state and territory, and a range of other characteristics.

All data in this spotlight are trend series, unless otherwise noted.

### WHAT IS UNDEREMPLOYMENT?

The International Labour Organization (ILO) defines underemployment as the underutilisation of the productive capacity of the employed population. The concept is part of the framework for measuring the labour force, with the underemployed being those in the employed population who are willing and available to work more.

The ABS uses a time-related definition for underemployment, and currently categorises people as underemployed if they belong to either of the following two groups:

- People employed part time who wanted to work more hours and were available to start work with more hours, either in the reference week or in the four weeks subsequent to the survey; or
- People who are usually employed full time but who actually worked part time hours in the reference week for economic reasons.

From an economic perspective, underemployment reflects underutilised productive capacity. At an individual and household level it represents lost opportunities for people to engage more fully in work and derive their desired financial and personal benefits.

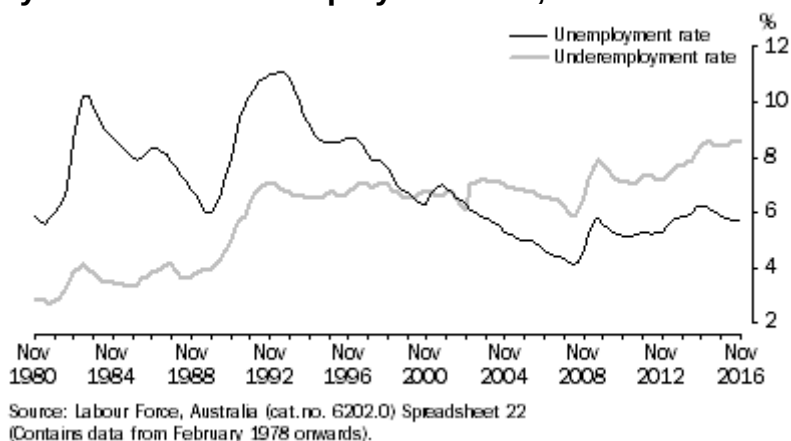
## UNEMPLOYMENT AND UNDEREMPLOYMENT

The underemployment rate has generally been increasing over the past 30 years. It has generally risen during periods of weakness in the labour market, and has generally fallen or plateaued as conditions have improved.

Around the economic downturn in the early 1990s, the unemployment rate increased from 6.2 per cent in February 1990 to 11.0 per cent in February 1993, while the underemployment rate increased from 4.1 per cent to 7.0 per cent. By August 1995, the unemployment rate had fallen by 2.6 percentage points, while the underemployment rate decreased by just 0.3 percentage points. Since the downturn in the early 1990s, the underemployment rate has not fallen below 5.9 per cent, while the unemployment rate decreased to as low as 4.1 per cent in early 2008. Over the past decade, there have been further changes in the relationship between the unemployment and underemployment rates.

Since February 2015, there has been an increasing divergence between the rates. While the unemployment rate has decreased 0.5 percentage points to 5.7 per cent, the underemployment rate has remained at 8.5 per cent, a series high.

**Graph 1, Unemployment and Underemployment rate, November 1980 to November 2016**



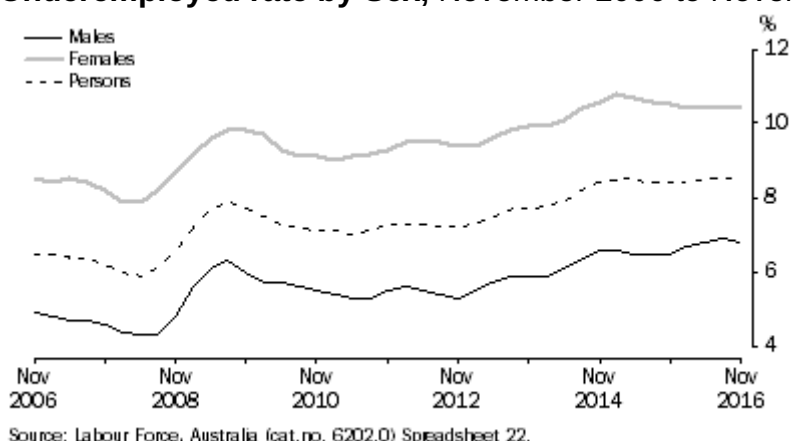
## UNDEREMPLOYMENT BY SEX

Females have consistently represented the greater share of underemployed workers; accounting for 56.9 per cent of underemployed persons in November 2016.

The underemployment rate for females in November 2016 was 10.4 per cent, considerably higher than the 6.8 per cent for males. This in part reflects the higher proportion of females who are employed part-time (68.2 per cent in November 2016), compared with males (31.8 per cent).

Both the female and male underemployment rates have generally increased since 2011, after falling in the immediate period after the Global Financial Crisis.

**Graph 2, Underemployed rate by Sex, November 2006 to November 2016**

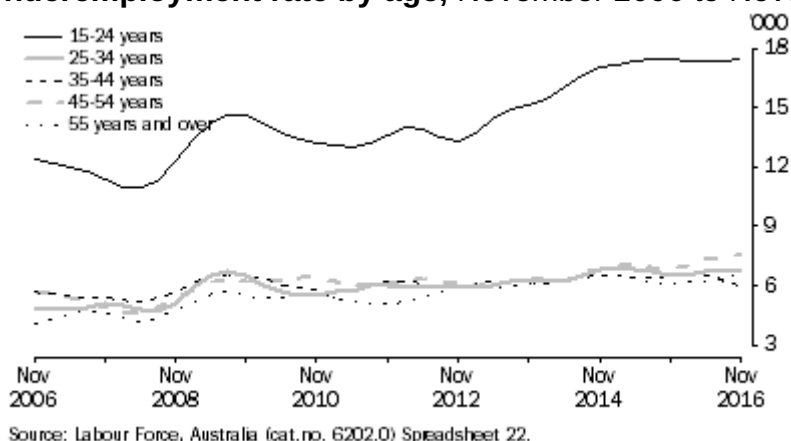


## UNDEREMPLOYMENT BY AGE

The 15-24 years age group has consistently had the highest underemployment rate, which, after falling to 11.0 per cent in May 2008 increased by 6.4 percentage points to 17.4 per cent in November 2016. Further analysis of younger underemployed people by their participation in education will be presented in a future spotlight, including a focus on 15-19 and 20-24 year olds.

While the rates are relatively similar for the other age groups, when compared against that of the 15-24 year olds, the rates for the 45-54 year olds and 55 years and over have been trending upwards in recent years. These two older age groups accounted for around 40 per cent of total employment in November 2016.

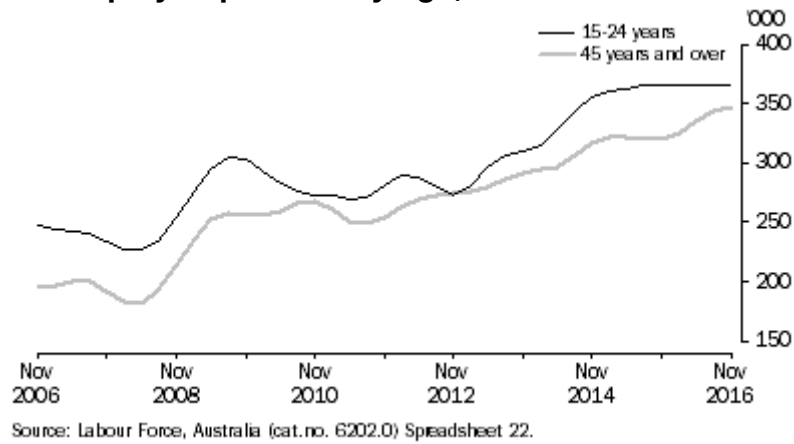
**Graph 3, Underemployment rate by age, November 2006 to November 2016**



The number of people underemployed in the 15-24 year age group and the 45 years and over age group accounted for around 712,200 (or 66.1 per cent) of approximately 1.1 million underemployed people. Their combined share of underemployment was greater than their share of total employment, which was around 55.0 per cent in November 2016.

Between February 2016 and November 2016, the number of underemployed in the 45 years and over group increased by 22,000 people, while the 15-24 year age group remained steady.

**Graph 4, underemployed persons by age, November 2006 to November 2016**

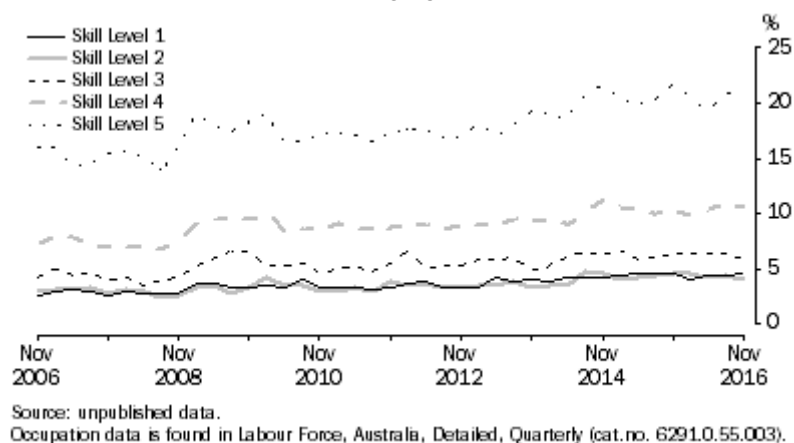


## UNDEREMPLOYMENT BY OCCUPATION SKILL LEVEL

The Australian and New Zealand Standard Classification of Occupation (ANZSCO) categorises occupation skill into 5 levels. Skill level 1 is the highest and commensurate with a bachelor degree or higher, while skill level 5 is the lowest and commensurate with a Certificate I or compulsory secondary education. Please refer to *Appendix - Skill Level Groups* for more information.

The prevalence of underemployment has consistently been greatest in the lower skilled occupation groups, and lowest in the higher skilled groups. Between November 2006 and November 2016, Skill level 5 occupations (which account for around 20.9 per cent of total employment) saw the greatest rise in underemployment, in part also reflecting the rise in youth underemployment, which increased by 5.1 percentage points to 21.1 per cent. In contrast, the underemployment ratio for Skill level 1 (which account for around 4.4 per cent of total employment) only rose by 2.1 percentage points over the period, to 4.6 per cent.

**Graph 5, Underemployment ratio by Occupation skill level, November 2006 to November 2016**



The Australian and New Zealand Standard Classification of Occupation (ANZSCO) groups with the highest underemployment rates in November 2016 were Sales Workers (19.0 per cent), Labourers (17.9 per cent) and Community and Personal Service Workers (17.4 per cent). Managers had the lowest underemployment rate, at 2.5 per cent.

Between these were Professionals (5.1 per cent), Technicians and Trades Worker (6.0 per cent),

Clerical and Administrative Workers (6.7 per cent) and Machinery Operators and Drivers (8.1 per cent), all of whom had underemployment rates considerably below the lower skilled occupation groups.

## **FUTURE SPOTLIGHTS**

Future spotlights are expected to be released in 2017. These will further explore underemployment statistics by industry, state and territory, and a range of other characteristics. The ABS welcomes feedback on the usefulness of this spotlight at <labourforce@abs.gov.au>.

## **APPENDIX - SKILL LEVEL GROUPS**

### ***SKILL LEVEL 1***

Occupations at Skill Level 1 have a level of skill commensurate with a bachelor degree or higher qualification. At least five years of relevant experience may substitute for the formal qualification. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

### ***SKILL LEVEL 2***

Occupations at Skill Level 2 have a level of skill commensurate with an Associate Degree, Advanced Diploma or Diploma. At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

### ***SKILL LEVEL 3***

Occupations at Skill Level 3 have a level of skill commensurate with Certificate IV or Certificate III including at least two years of on-the-job training. At least three years of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience and/or on-the-job training may be required in addition to the formal qualification.

### ***SKILL LEVEL 4***

Occupations at Skill Level 4 have a level of skill commensurate with Certificate II or III. At least one year of relevant experience may substitute for the formal qualifications listed above. In some instances relevant experience may be required in addition to the formal qualification.

### ***SKILL LEVEL 5***

Occupations at Skill Level 5 have a level of skill commensurate with Certificate I or compulsory secondary education. For some occupations a short period of on-the-job training may be required in addition to or instead of the formal qualification. In some instances, no formal qualification or on-the-job training may be required.

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